

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:260
ANSWERED ON:17.12.2004
LOANS BY BANKS
Kamat Shri Gurudas

Will the Minister of FINANCE be pleased to state:

- (a) whether some Banks like Citi Bank, ICICI Bank, etc., are luring common people by offering loans without interests in the beginning, but later on charge huge interests;
- (b) if so, the reasons therefor;
- (c) whether thousands of innocent people get trapped by the false promises of these banks;
- (d) if so, whether the Government has no control over these banks;
- (e) if so, the reasons therefor; and
- (f) the steps taken by the Government to check these malpractices?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

- (a) to (f): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.260 FOR 17TH DECEMBER 2004 REGARDING LOAN BY BANKS
TABLED BY SHRI GURUDAS KAMAT.

(a) to (f): It was brought to the notice of the Reserve Bank of India (RBI) that some banks had been providing low / zero percent interest rates on advances for consumer durables to borrowers through adjustment of discounts available from manufactures / dealers of consumer goods. RBI had examined the issue and conveyed its advice to the banks that such loan schemes lacked transparency in operations and distorted the pricing of loan products. These products also did not give an accurate picture to the customers regarding the applicable interest rates. Banks were, therefore, advised to refrain from offering such products vide RBI circular dated 19th August, 2002. The banks have also been cautioned to refrain from linking their names in any form / manner with any incentive based advertisements where transparency regarding interest rates is lacking. All scheduled commercial banks including private sector banks are required to follow the guidelines and directions issued by the regulator, i.e. the Reserve Bank of India, on all aspects of operations including loans to borrowers for various purposes.